

NEW SOUTH WALES.

BUSINESS STATISTICS - WEEKLY NOTES.

19TH MARCH, 1940.

This Week's Notes include:-

PART I. SEASON: Rain needed. Falls in north-east.

EXPORT PRICES AND OVERSEA TRADE CONDITIONS: Sale of dried fruits to U.K. Export prices steady. London and New York stock markets easier. Commodity prices steadier in U.K.

WOOL: Trade conditions in U.K. Record Australian clip, 1939-40. Progress of appraisements and shipments. Arrivals in Sydney.

WHEAT: World marketing prospects unchanged. Local market dull. Prices unchanged.

BUTTER: Production in N.S.W. Factories - Jan. and July-Jan., 1940. Increased ration in U.K.

METALS: Tin lower in London. Decrease in world stocks of tin. Stimulating Australian production of copper.

PART II. INTERNATIONAL CURRENCY RELATIONS: Fall in sterling and francs on New York free market.

PART III. WHOLESALE TRADE, N.S.W.

Sales under Sales Tax Acts - Jan. and Aug.-Jan., 1940.

Employment. - Mid-January, 1940.

OVERSEA TRADE - AUSTRALIA.

Commodity Trade - Feb. and July-Feb., 1940.

STOCK EXCHANGE - SYDNEY.

Index of Value of Ordinary Shares - February, 1940.

INTEREST RATES - MORTGAGES, N.S.W.

- Three months ended February, 1940.

INTEREST RATES - GOVERNMENT SECURITIES.

- Net Redemption Yield - Feb., -March, 1940.

- Commonwealth £18m. Works and Defence Loan.

PART IV. IRON AND STEEL, N.S.W.

- Indexes of Production - January, 1940.

BUSINESS STATISTICS - WEEKLY NOTES - 19th March, 1940.

PART I. PRIMARY AND EXPORT INDUSTRIES.

SEASON. Because of the very dry summer the rural outlook has become uncertain. Over a large part of the State water supplies are failing, natural pasturage is being depleted, and in some districts hand-feeding of stock has become necessary. Conditions are still generally favourable in the Riverina and Far West, but the Upper Hunter Valley is drought-stricken, and the South Coast, Liverpool Plains and orchard country (other than on the M.I.A.) are very dry. Over the week-end rain fell east of a line north west from Sydney - heaviest in the far north.

EXPORT PRICES AND EXTERNAL TRADE CONDITIONS. The world outlook for wheat marketing is more favourable than it seemed likely to be some months ago. Arrangements have been made for the sale to the United Kingdom of 25,500 tons of currants, sultanas and lexias. This is part only of this year's exportable surplus, but it is possible that a further quantity may be sold to Great Britain later.

Export prices are steady and nearly 25 per cent. higher than a year ago. The index number (Commonwealth Bank) in Australian currency is 81.3 (average 1927 = 100). This is slightly above the average for the four years ended June, 1938 upon the basis of which steady economic progress was made.

Stock markets in London and New York tended easier last week affected by the Finnish situation. In the United Kingdom the rise in commodity prices other than of textiles, has been reversed slightly. The retail price index of Great Britain at March 1, 1940 was one per cent. higher than on February 1, 1940, and $15\frac{1}{2}$ per cent. higher than on August 1, 1939. This is largely due to higher prices paid for imported foodstuffs and raw materials and higher ocean freights and marine insurances due to war conditions.

Among recent developments which may affect Australia's overseas trade are:-

Anglo-Danish and Anglo-Spanish and Anglo-Norwegian trade agreements concluded last week;

British restrictions upon imports of U.S. canned fruits;

doubling of the British butter ration;

a pending agreement for the exchange of Japanese manufactures for Argentine primary products; and Anglo-French negotiations for the pooling of resources of the colonial empires.

WOOL. According to the Press, the British wool trade believes some reduction in the release price of wool might be justified. There are complaints that the ration allowance for export purposes for March-June is too small to enable available orders to be filled. However, the Minister of Supply stated (15.3.40) "it would be necessary to ration wool for civilian consumption, but there was no lack for export". and that raw wool for export would be increased by 25 per cent. during the ration period.

Bradford is busy. Yarn manufacturers have sold their output well ahead. Prices are firm. Exports of fine tops are said to be fairly large.

The Chairman of the (Aust.) Central Wool Committee estimates the Australian 1939-40 clip at nearly 3,400,000 bales. It may be a record and is over 300,000 bales greater than the first forecast.

/The Chairman.....

PART I. (Continued.)

The Chairman disclosed that for 2,520,000 bales appraised in Australia to date the average value was 12.39d. per lb. (greasy). To the end of December the average was 12.16d. per lb. and to the end of January, 12.32d. per lb. Apparently there will be an appreciable deficiency payment to be made to growers at the end of the season with the 10 per cent. retention money.

"More than 1,600,000 bales of wool had been shipped from Australia of which 346,000 bales had been shipped to other than British ports. This clearance had never been equalled in earlier years". Australian manufacturers have bought 154,000 bales at prices averaging 13.46d. per lb. (greasy).

Arrivals of wool in Sydney to March 14, 1940 totalled 1,170,000 bales; an increase of 199,000 bales compared with the corresponding period of 1938-39. The quantity appraised to date (including carry-over from 1938-39 - 63,000 bales) was 1,180,223 bales compared with 902,434 bales sold at auction in Sydney to the corresponding date of last season.

The agreed average price (13,4375d. (Aust.) per lb.) for the British purchase of the Australian clip compares with average prices realized at auctions in recent seasons as under:-

AVERAGE PRICE OF GREASY WOOL IN SYDNEY.

Seasons ended June.

	<u>1926-29.</u>	<u>1931-33.</u>	<u>1936-38.</u>	<u>1938.</u>	<u>1939.</u>	<u>1940.(a)</u>
Pence (Aust.) per lb.	17.2	8.5	14.3	12.7	10.3	13.4

(a) Agreed price under British purchase; subject to addition of one-half profit on re-sale of wool outside the United Kingdom.

WHEAT. Quotations of wheat futures were a cent or two lower over the past week in Winnipeg and Chicago, but generally the marketing outlook is unchanged. Latest reports of the Indian 1940 crop are that it is unlikely to exceed domestic requirements. The weather has been more favourable in Europe. Australian agricultural implements have been bought to lessen labour difficulties in the United Kingdom.

From a trade source it was reported that early in March about 4.7 million bushels of wheat were sold to Greece (50,000 tons) and France (75,000 tons).

Wheat for gristing for some small orders for Mediterranean countries was bought last week but generally the local market is dull. Insufficient wheat is being put through the mills to supply local requirements of bran and pollard. The prices of wheat (for local consumption and small export orders) fixed by the Australian Wheat Board are unchanged at 3s.9½d. per bushel for silo, and 4s. 0½d. per bushel for bagged wheat, f.o.r., Sydney. The export value of bulk wheat is about 3s.8½d. per bushel, at ports. These prices are about 50 per cent. above those of a year ago.

There was no change in the price of flour in Sydney (£12 10s. per ton.)

/PRICES OF BULK WHEAT....

PART I. (Continued.)

PRICES OF BULK WHEAT - NEW SOUTH WALES.

	Ex Trucks, Sydney.	Equivalent, Farm, Country Siding. (a)
	s.d. per bushel.	
Average - Season 1930-31 to 1934-35	2 9½	2 2½
- Season 1936-37	5 3	4 8
- " 1937-38	4 0	3 4½
- " 1938-39	2 6½	1 11
- February, 1939	2 5½	1 10
- " 1940	3 9½(b)	(c)
March 16, 1940	3 9½(b)	(c)

- (a) Excluding bounty. (b) Prices for sale for local consumption.
(c) Farmers have been advanced 2s.6d. a bushel less rail freight.
A further substantial payment is likely if the surplus is sold.

BUTTER. Recent rains on the Far North Coast have stimulated butter production there, but elsewhere dairy pastures are very dry and production generally is low for the time of the year. There was a contra-seasonal decrease in the output of New South Wales factories in January, 1940. Although the quantity of butter made (12.63 million lb.) was 2.92 million lb. more than in January, 1939, it was less than in January of any other year since 1930-31. Due to the favourable spring, output for the seven months ended January, 1940 (70.32 million lb.) was greatest for the period since 1934-35 and 15½ per cent. greater than in July-Jan., 1938-39.

PRODUCTION OF BUTTER IN NEW SOUTH WALES FACTORIES.

	<u>1934-</u> <u>35.</u>	<u>1935-</u> <u>36.</u>	<u>1936-</u> <u>37.</u>	<u>1937-</u> <u>38.</u>	<u>1938-</u> <u>39.</u>	<u>1939-</u> <u>40.</u>
	Million lb.					
Month of January	17.45	14.41	13.26	14.59	9.71	12.63
Seven Months ended January.	85.69	67.73	56.12	68.45	60.78	70.32

The Ministry of Food has announced an increase in the ration allowance of butter from 4 oz. to 8 oz. a week as from March 25. The Ministry says this is made possible "by the favourable supply situation now obtaining". A trade comment is that it indicates "a piling up of stocks even greater than previously believed" with the high price a major factor. It is said that butter is too dear (at 1s.7d. (stg.) per lb. retail) for working-class families (who are using large quantities of margarine). Published reports have indicated that some grades of margarine are available in Britain at as low as 5½d. lb. retail while better grades are available at prices ranging up to 9d. lb. retail.

The 4 oz. ration has prevented the quantity of butter available being absorbed by those who can afford to buy it.

The local wholesale price of butter is steady at 158s.8d. per cwt. Prices now current for local and export sales compared with prices obtained in recent seasons are:-

/PRICES OF BUTTER.....

PART I. (Continued.)

PRICES OF BUTTER IN SYDNEY - EXPORT AND LOCAL.

Average - Seasons ended June -				At March 16.	
1929-32.	1933-36.	1937-39.	1939.	1939.	1940.

Shillings (Australian) - per cwt.

Export Parity	135	88	122	123	131	137(a)
Local Sales	173	134	150	159	159	159

(a) Agreed price for British purchase, 1939-40.

METALS. In London copper, lead and spelter continue at the maximum prices fixed by the British Ministry of Supply.

From £stg.258 a ton (this year's high point) on March 11, the prices of tin fell to £stg. 251 15s. on Friday last, (buyers' quotes). Figures issued by the International Tin committee show that world visible stocks of tin increased in the five months ended January, 1940 by more than 25,000 tons, but decreased by about 2,000 tons in February. About 60 per cent. of the increase of the war months is in the hands of consumers and smelters. A press message states that Germany is apparently securing some tin, but the price in Germany is believed to be equivalent to £stg. 400 a ton.

The two largest copper-producing enterprises in Australia have given assurances that £4 a ton of the recent increase of £A 12 2s.6d. a ton in the local price of copper will be used for development and extension of copper production. War activities have increased the requirements of local industries and the increase in price was made, in part, to stimulate production.

Last week the price of silver fluctuated about a level slightly below that of the preceding week.

PRICES OF METALS - LONDON.
(In Sterling.)

	Silver. (oz.)	Lead. (ton)	Spelter. (ton)	Tin. (ton)	Copper. (Standard) (Ton)
	s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.
Aver. 1936	1 8.1	17 12 6	14 19 10	204 12 8	34 9 7
" 1937	1 8.1	23 6 1	22 6 1	242 6 7	54 10 7
" 1938	1 7.5	15 5 4	13 19 10	189 12 1	40 15 0
" Aug., 1939	1 5.7	16 0 10	14 12 7	229 18 9	44 14 8
" Feb., 1940	1 8.9	25 0 0 ^{1/2}	25 15 0 ^{1/2}	242 19 8 ^x	★
March 8, 1940	1 9.3	25 0 0 ^{1/2}	25 15 0 ^{1/2}	256 5 0 ^x	★
" 15, "	1 8.9	25 0 0 ^{1/2}	25 15 0 ^{1/2}	251 15 0 ^x	★

^{1/2} Maximum price fixed by British Ministry of Supply.

x. Open market (buyers' quotes.) ★. Standard not available; electrolytic fixed at £stg.62 a ton by British Ministry of Supply.

/PART II.....

PART II. INTERNATIONAL CURRENCY RELATIONS.

1931-Sept. 21	Great Britain left Gold Standard.
1933-March 6	United States technically off gold.
1936-Sept. 26	French franc devalued (about 30%). Tripartite Currency Agreement announced.
1937-July 1	Gold Standard suspended in France.
1938-May 5	Franc devalued and linked to sterling.
1939-Sept. 5	Bk. of England's buying price of gold pegged at £8. 8s. 6d.

Parity		London Price of Gold. Per oz. fine. £. s. d. (Sterling).			London On New York \$ to £stg.		London On Paris. Fr. to £stg.		New York On Paris. \$ to Fr.100.	
		4	4	11						
		4	4	11	4.86		124.2		3.92	
Oct.,	1936	7	1	11	4.90		105.1		4.67	
Sept.,	1937	7	0	4	4.95		140.7		3.52	
Dec.,	1938	7	8	10	4.67		177.4		2.63	
July,	1939	7	8	6	4.68		176.7		2.65	
Aug.,	1939	7	10	6	4.61		176.4		2.62	
Oct.,	1939	8	8	0	4.03		176.5		2.28	
Feb.,	1940	8	8	0	4.03		176.6		2.25	
March, 2	1940	8	8	0	4.03		176.6		2.25	
16	"	8	8	0	4.03		176.6		2.11	

Under official control rates of exchange of sterling with dollars and francs have been without change since they were pegged a fortnight after the war began.

Over the past fortnight there have been marked fluctuations and an appreciable cheapening of both sterling and the franc in terms of dollars on the New York exchange. Until late in February sterling was quoted on the American free market within five or ten cents of the official pegged rate, but on March 15 buyers of dollars in New York were obliged to accept \$3.70 to £stg. (the lowest rate for seven years) compared with \$3.95 a month before.

This apparent depreciation of sterling is more technical than actual. It is consequent upon closer British control of foreign exchange in order to conserve dollars for the war effort. Instead of accepting settlements in sterling (bought cheaply on the free market) British exporters must now obtain payment in dollars or by letter of credit registered with the Bank of England. This arrangement limits the private selling of sterling in New York to transactions outside those which the British authorities recognise as legitimate (in respect of which exchange is provided at the official rate). Consequently the market is thin, and therefore irregular. American purchasers of British goods are not in the market for sterling, and those who seek to convert British into American currency appear virtually as distress sellers, obliged to accept what the market will offer. Obviously, as matters stand, there could be no case for support of the free market by the British authorities.

/PART III..

PART III. FINANCE AND TRADE.

WHOLESALE TRADE. The value of goods sold at wholesale (including direct sales from factories) was 2.3 per cent. greater in January, 1940 than in January, 1939. For taxable goods the increase was 13 per cent. and for goods exempt from Sales tax, 31 per cent. This suggests that the supply of war material was a major factor in the expansion of sales, though war expenditure and greater export income have stimulated trade as a whole.

In each month of the war wholesale trade has exceeded that of a year earlier; the total for the five months ended January, 1940 (£90.86 million) was 13 per cent. greater than in Sept.-Jan., 1938-39:-

SALES RECORDED UNDER SALES TAX ACTS, NEW SOUTH WALES.								
	Average Jan.-Aug.	Sept.£	Oct.	Nov.	Dec.		Jan.	Average Sept.-Jan.
	£m.	£m.	£m.	£m.	£m.		£m.	£m.
1937	15.6	16.3	16.5	17.4	17.2	1938	14.2	16.3
1938	15.7	17.5	15.7	16.9	17.0	1939	13.2	16.1
1939	15.7	19.4	19.2	17.5	18.3	1940	16.3	18.2

£ Rates of Tax increased Sept., 1938 and Sept. 1939.

Employment with wholesalers has increased only slightly, implying a preponderant part of direct factory sales in the increase in turnover. In the middle week of January, 1940 the number of persons employed in wholesale establishments with ten or more employees was 25,614; an increase of 0.8 per cent. compared with January, 1939. From August to January increases were 294 this year, 61 in 1938-39 and 192 in 1937-38. The seasonal movement in December and January was practically the same this year as last year.

WHOLESALE TRADE- NEW SOUTH WALES.

	Sales by Registered Traders.			Employment with whole-	
	Month of January.	Five months ended January.	Increase over Sept-Jan. of preceding year	sale Firms with Ten or more employees.	
	£ million.	£ million.	£ million.	December.	January.
1932-33	9.52	54.56	1.77	Persons (June, 1933: 17,638)	
1936-37	13.74	71.11	5.12	24,297	23,833
1937-38	14.21	81.48	10.37	25,355	24,523
1938-39	13.24	80.28	(-) 1.20	26,340	25,381
1939-40	16.33	90.86	10.58	26,468	25,614

(-) Denotes decrease.

OVERSEA TRADE (Merchandise) Australia: In February, 1940 imports (£stg. 13.89 million) and exports (£stg. 11.47m.) were 69.6 per cent. and 35.5 per cent. greater, respectively, than in February, 1939.

The unprecedented level of imports in January and February has occasioned concern. It is probable that the increase is partly due to the arrival of orders placed abroad in September and October - that is before the import restrictions which became operative from December 1, 1939. But other factors are the higher level of prices (partly due to depreciation of Australian against non-sterling currencies) increased transport costs, and the arrival of military equipment (aeroplanes, etc.) Imports in the eight months ended February, 1940 (£stg. 72.74 m) were £stg. 5.62 m. or 8.4 per cent. above the value for July-Feb., 1938-39.

/IMPORTS.....

PART III. (Continued.)

IMPORTS OF MERCHANDISE - AUSTRALIA.

Value in £stg. million.

	<u>July.</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Total</u> <u>8 months.</u>
1937-38	8.8	9.0	9.5	9.3	10.8	9.4	9.2	9.1	75.1
1938-39	8.6	9.6	7.9	8.2	8.8	7.7	8.2	8.2	67.1
1939-40	8.9	9.2	6.8	7.3	7.3	7.7	11.5	13.9	72.7

The Economic Cabinet has under consideration plans to restrict imports further. The third two-monthly licensing period under the import control plan will begin on April 1. Normal quantities of Category D (non-essential) goods, orders for which were accepted over-sea before November 1, 1939 may be admitted up to April 30, 1940.

Goods exported in the eight months of this year were valued at £stg. 73.62 m; the greatest total for that period of any of the past ten years, 1936-37 (£stg. 75.8 m.) excepted. Compared with 1938-39 there was a decrease of $6\frac{1}{2}$ per cent. for the first four months and an increase of 24 per cent. for Nov.-Feb. Higher prices for major export products, substantial shipments of iron and steel and increased exports of butter and meat have contributed to the recent increase. The inflow of money from exports (and in the case of wool, from the wool appraised) has completely changed the credit situation in Australia, with favourable repercussions upon business generally. It is necessary, however, for imports from non-sterling countries to be greatly reduced if Australia is to fulfil the task of augmenting resources of foreign exchange for the war effort. Although a positive commodity balance accrued for the eight months (the first since 1936-37) it was small in comparison with that of either 1935-36 or 1936-37. Particulars of bullion and specie movements are not available for publication.

OVERSEA TRADE - AUSTRALIA.

	<u>February.</u>		<u>Eight Months ended February.</u>				
	<u>1939.</u>	<u>1940.</u>	<u>1936.</u>	<u>1937.</u>	<u>1938.</u>	<u>1939.</u>	<u>1940</u>
	Value in £ stg. million.						
Merchandise - Exports	8.47	11.47	66.96	75.84	73.72	67.06	73.62
- Imports	8.19	13.89	56.69	59.42	75.01	67.12	72.74
Commodity Balance	.28	-2.42	10.27	16.42	-1.29	- .06	.88
Bullion & Specie - Exports	.98	N.a.	7.27	7.45	9.25	10.28	N.a
- Imports	.29		1.16	1.42	1.32	2.02	
Bullion & Specie Balance	.69		6.11	6.03	7.93	8.26	
Total Balance	.97		16.38	22.45	6.64	8.20	

(-) Denotes excess of imports over exports.

N.a. Not available.

STOCK EXCHANGE. The value of ordinary company shares on the Sydney Stock Exchange reached the highest level for almost two years in January, 1940. During February the market tended easier, particularly in relation to shares in industrial enterprises for which values had risen strongly to a record high level. Share prices in London and New York were higher in the closing week of the month, but the movements during February were not sufficiently decisive to influence the local market materially. Share values have fluctuated moderately with a tendency to ease during the first fortnight of March, 1940.

The average.....

PART III. (Continued.)

The average value of ordinary shares declined in February, 1940 by 2.2 per cent. to 78 per cent. above par. This is slightly above the average for February, 1939 but 6.3 per cent. below the record high point of three years ago. Shares in manufacturing and distributing companies declined 6.3 points from the January peak but were still above the value for any earlier month. There were decreases of 3.1 points for shares in retail companies and 5.2 points for shares in public utility companies.

The successful £18 million works and defence loan will have absorbed considerable investment funds, but also, it has shown that a lower level of interest rates has been reached. If control over new capital issues is tightened as proposed, demand for, and prices of, existing shares may increase as capital accumulates under the favourable conditions of industry and trade, now temporarily prejudiced by the industrial dispute in the coal mining industry.

INDEX OF VALUE OF ORDINARY COMPANY SHARES - SYDNEY STOCK EXCHANGE. (Excluding Banks.)

	Ordinary Shares in Companies engaged in -						34 Active Shares
	Manufac- turing & Distrib- uting.	Retail Trade.	Public Utili- ties.	Pastoral and Finance	Insur- ance.	Total 75 Companies.	
	Index numbers:			Par value = 100			
1929 - April (a)	179	180	129	174	224	174	173
1931 - Sept. (b)	72	60	88	75	121	74	77
1937 - Mar. (c)	214	204	181	169	281	190	200
1938 - Feb.	212	187	185	150	260	182	191
1939 - "	209	174	171	120	260	176	184
" - Aug.	213	168	156	118	264	174	182
1940 - Jan.	229	174	152	132	270	182	195
" - Feb.	223	171	147	132	269	178	191

(a) Pre-depression peak. (b) Lowest point (c) Highest point.

INTEREST RATES - MORTGAGES. The weighted average rates of interest on private first mortgages registered in the three months ended February, 1940 were 5.4 per cent. on rural and 5.7 on urban mortgages. For June-August, 1939 the average rates were 5.2 and 5.5 respectively. The increase over the war period continued the hardening tendency in evidence since mid-1935. The averages for Nov.-February, however, were below those for the three months ended December or January, and this decrease was the first interruption of a gradual upward trend during the war months.

Rates of Interest on Private First Mortgages. N.S.W. (Three Months' Moving Averages.)

	1939					1940	
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Weighted average rate of interest: Per cent p.a.							
Rural Mortgages	5.2	5.2	5.3	5.4	5.5	5.5	5.4
Urban "	5.5	5.5	5.6	5.7	5.8	5.8	5.7

Factors influencing mortgage rates of interest are the cheap money policy of the Commonwealth Government, official control over investment as it may be applied in this relation, the accumulation of investment funds and the call upon them for the nation's war effort, the Fair Rents Act, and the relative attraction of investment in real estate and in other fields. Perhaps the provision in recent weeks of loans to building societies of £200,000 at 4 $\frac{5}{4}$ per cent.

/(compared....

PART III (Continued).

(compared with 5 per cent. on loans arranged in 1939) may be taken as an indication of the desire of the authorities for lower rates of interest on mortgage transactions. The course of interest rates over the past six years was as under:-

AVERAGE RATE OF INTEREST ON PRIVATE FIRST MORTGAGES, N.S.W.

	Three months ended February.						
	1934.	1935.	1936.	1937.	1938.	1939.	1940.
	Weighted Average Rate of Interest -- per cent. p.a.						
Rural Mortgages	5.5	4.8	4.9	4.9	5.1	5.1	5.4
Urban Mortgages	5.4	5.2	5.3	5.3	5.3	5.5	5.7

INTEREST RATES - GOVERNMENT SECURITIES. On March 14, 1940 the average net redemption yield on Australian Consolidated Loans of five or more years maturity was £3.11s.6d. per cent. This is 10s.5d. per cent. below the high point of Sept. 21, 1939 since when bond yields have decreased progressively. The Commonwealth's first approach to the capital market since the 3 $\frac{7}{8}$ (net yield £3.19s.2d.) per cent., £4.75 million issue of May, 1939, was made with the offer on March 1, 1940 of an £18 million defence and works loan with interest at 3 $\frac{5}{8}$ per cent. for five years or 3 $\frac{5}{8}$ per cent. for 10-16 years, at par. This loan closed fully subscribed two days before the fixed closing date and is the first since the conversion operation of 1931 to be subject to full Commonwealth taxation. The yield is less than on any issue of the past 4 $\frac{1}{2}$ years.

The conditions which brought about the return of low interest rates are still operative; export income has increased and war expenditure is stimulating industry and trade, and accelerating the rate of accumulation.

The Melbourne and Metropolitan Board of Works has offered a cash and conversion loan of £1,100,000 at 3 $\frac{7}{8}$ per cent. without having the issue underwritten. This is 10s. per cent. below the rate offered on its loan of November, 1939. The successful works and Defence Loan, and the terms of the Melbourne Board's issue are evidence of the efficacy of the means used to implement the policy of cheap money.

The course of bond yields is:-

NET REDEMPTION YIELD ON AUSTRALIAN CONSOLIDATED LOANS

	With maturities of -			
	Over 5 to 10 years.	Over 10 to 15 years.	Over 15 years.	Over 5 years. (overall rate.)
	Average net yield - per cent. per annum.			
	£. s. d.	£. s. d.	£. s. d.	£. s. d.
Average, 1935	3 9 7	3 10 1	3 13 9	3 11 1
1937	3 16 4	3 17 5	3 18 1	3 17 4
1938	3 14 5	3 15 0	3 15 10	3 15 0
" Jan.-June, 1939	3 17 9	3 18 4	3 18 4	3 18 1
" Sept., 1939	4 1 0	4 1 1	4 1 9	4 1 3
" Dec., "	3 15 5	3 17 3	3 17 11	3 16 9
" Feb., 1940	3 12 4	3 12 10	3 12 7	3 12 7
March 14, 1940	3 10 7	3 11 11	3 12 5	3 11 6

On March 18, 1940 the sale began of war savings certificates in denominations of £1, £5 and £10 for a currency of seven years at four-fifths of face value.

PART IV. INDUSTRIES.

IRON AND STEEL. Heavy new capital installations made to the Newcastle and Port Kembla works in 1935-38 have proved timely. "The Commonwealth is able to manufacture aeroplanes, guns, munitions, etc. only because an efficient iron and steel industry has been nurtured within the last twenty years" (Financial Times 30.10.39). The capacity of the industry is still being increased; a sixth steel furnace is nearing completion and a hot metal mixer of 1,200 tons capacity is being installed at Port Kembla.

In the seven months ended January, 1940 exports of iron and steel from New South Wales were valued at £3,334,000 compared with £794,000 in the corresponding period of 1938-39. Mainly the exports were for British defence requirements. There were special circumstances which created this oversea demand, and surplus capacity which made exports possible, and it is probable that export activities on this scale will be precluded by the enlarged requirements of local war industries.

Plants at Newcastle and Port Kembla are fully employed (slight decreases in December and January compared with the immediately preceding months were due to incidence of the holiday period.) In January 1940 production of pig iron was 46 per cent. greater and of steel 77 per cent. greater than in January 1939.

INDEXES OF PRODUCTION OF IRON AND STEEL - NEW SOUTH WALES.

	<u>Pig Iron.</u>	<u>Ingot Steel.</u>
	Index	Numbers.
Monthly Average - Year 1928-29	100	100
1931-32	41	51
1937-38	202	268
1938-39	240	261
Month of - January, 1938	194	252
" 1939	198	186
- Sept.-Nov., 1939	303	337
- January, 1940	289	330